



PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Southern Information Systems
No. 4 R&D Rd III
Science Based Industrial Park
Hsinchu, Taiwan

Attention: Tum Chun Lee
Chairman

Dear Mr. Lee:

The Office of Export Enforcement, Bureau of Export Administration, United States Department of Commerce (BXA), hereby charges that, as described in detail below, Southern Information Systems (SIS) has violated the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1998)) (the Regulations),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1998)) (the Act).²

¹ The alleged violations occurred in 1993. The Regulations governing the violations at issue are found in the 1993 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1993)). Those Regulations define the violations that BXA alleges occurred and are referred to hereinafter as the former Regulations. Since that time, the Regulations have been reorganized and restructured; the restructured Regulations establish the procedures that apply to this matter.

² The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)) and August 13, 1997 (62 Fed. Reg. 43629 (August 15, 1997)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1998)).



Facts constituting violations:

Charges 1-5

On five separate occasions between August 1993 and December 1993, SIS exported digital microwave systems from Taiwan to Vietnam. Each system incorporated a U.S.-origin ATI 2E3 microwave radio that accounted for approximately 28% in value of the total value of the digital microwave system. SIS exported each of the digital microwave systems from Taiwan to Vietnam without obtaining from BXA the written authorization required under Section 776.12(b) of the former Regulations. BXA alleges that, by exporting from Taiwan to Vietnam foreign-made products that incorporated U.S.-origin parts, components, or materials valued at approximately 28% of the total value of the system exported, in violation of or contrary to the provisions of the Act or any regulation, order, or license issued thereunder, SIS violated Section 787.6 of the former Regulations in connection with each of the five shipments, for a total of five violations.

Accordingly, SIS is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$10,000 per violation (see Section 764.3(a)(1) of the Regulations);

Denial of export privileges (see Section 764.3(a)(2) of the Regulations); and/or

Exclusion from practice before BXA (see Section 764.3(a)(3) of the Regulations).

Copies of relevant Parts of the Regulations are enclosed.

If SIS fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter as provided in Section 766.6 of the Regulations, that failure will be treated as a default under Section 766.7.

SIS is further notified that it is entitled to an agency hearing on the record as provided by Section 13(c) of the Act and Section 766.6 of the Regulations, if a written demand for one is filed with its answer, to be represented by counsel, and to seek a consent settlement.

Pursuant to an Interagency Agreement between BXA and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matters set forth in this letter.

Accordingly, SIS's answer should be filed with the U.S. Coast Guard ALJ Docketing Center, 40 S. Gay Street, Baltimore, Maryland 21202-4022, in accordance with the instructions in Section 766.5(a) of the Regulations. In addition, a copy of SIS's answer should be served on BXA at the address set forth in Section 766.5(b), adding "ATTENTION: Mi-Yong Kim, Esq." below the address. Ms. Kim may be contacted by telephone at (202) 482-5311.

Sincerely,

Mark D. Menefee
Acting Director
Office of Export Enforcement

Enclosures

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
WASHINGTON, D.C. 20230

In the Matter of:)
)
SOUTHERN INFORMATION SYSTEMS)
No. 4 R&D Rd III)
Science Based Industrial Park)
Hsinchu, Taiwan,)
)
Respondent)

SETTLEMENT AGREEMENT

This Agreement is made by and between Southern Information Systems (SIS) and the Bureau of Export Administration, United States Department of Commerce (BXA), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1998)) (the Regulations),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1998)) (the Act).²

¹ The alleged violations occurred in 1993. The Regulations governing the violations at issue are found in the 1993 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1993)). Those Regulations define the violations that BXA alleges occurred and are referred to hereinafter as the former Regulations. Since that time, the Regulations have been reorganized and restructured; the restructured Regulations establish the procedures that apply to this matter.

² The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), and August 13, 1997 (62 Fed. Reg. 43629 (August 15, 1997)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1998)).

Whereas, the Office of Export Enforcement, BXA, has notified SIS of its intention to initiate an administrative proceeding against it pursuant to the Act and the Regulations, based on allegations that, on five separate occasions between August 1993 and December 1993, SIS exported digital microwave systems from Taiwan to Vietnam which incorporated U.S.-origin parts that accounted for approximately 28% in value of the total value of each digital microwave system, without obtaining from BXA the written authorization required under Section 776.12(b) of the former Regulations, in violation of Section 787.6 of the former Regulations;

Whereas, SIS has reviewed the proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true; it fully understands the terms of this Settlement Agreement and the proposed Order; it enters into this Settlement Agreement voluntarily and with full knowledge of its rights, and it states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

Whereas, SIS neither admits nor denies the allegations contained in the proposed Charging Letter;

Whereas, SIS wishes to settle and dispose of the matters alleged in the proposed Charging Letter by entering into this Settlement Agreement; and

Whereas, SIS agrees to be bound by an appropriate Order giving effect to the terms of this Settlement Agreement, when entered (appropriate Order);

Now Therefore, SIS and BXA agree as follows:

1. BXA has jurisdiction over SIS, under the Act and the Regulations, in connection with the matters alleged in the proposed Charging Letter.

2. BXA and SIS agree that the following sanction shall be imposed against SIS in complete settlement of the alleged violations of the Act and the former Regulations arising out of the transactions set forth in the proposed Charging Letter:

- (a) SIS shall be assessed a civil penalty of \$25,000, which shall be paid within 30 days of the date of entry of an appropriate Order;
- (b) As authorized by Section 11(d) of the Act, the timely payment of the civil penalty agreed to in paragraph 2(a) is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to SIS. Failure to make timely payment of the civil penalty shall result in the denial of all of SIS's export privileges for a period of one year from the date of entry of the appropriate Order imposing the civil penalty.

3. SIS agrees that, subject to the approval of this Settlement Agreement pursuant to paragraph 8 hereof, it hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the appropriate Order, when entered), including, without limitation, any right: (a) to an administrative hearing regarding the allegations in the proposed Charging Letter; (b) to request a refund of the civil penalty imposed pursuant to this Settlement Agreement and the appropriate Order, when

entered; and (c) to seek judicial review or otherwise to contest the validity of this Settlement Agreement or the appropriate Order, when entered.

4. BXA agrees that, upon entry of an appropriate Order, it will not initiate any administrative proceeding against SIS in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed Charging Letter.

5. SIS understands that BXA will make the proposed Charging Letter, this Settlement Agreement, and the appropriate Order, when entered, available to the public.

6. BXA and SIS agree that this Settlement Agreement is for settlement purposes only. Therefore, if this Settlement Agreement is not accepted and an appropriate Order is not issued by the Assistant Secretary for Export Enforcement pursuant to Section 766.18(a) of the Regulations, BXA and SIS agree that they may not use this Settlement Agreement in any administrative or judicial proceeding and that neither party shall be bound by the terms contained in this Settlement Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the appropriate Order, when entered, nor shall this Settlement Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Settlement Agreement shall become binding on BXA only when the Assistant Secretary for Export Enforcement approves it by entering an appropriate Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

BUREAU OF EXPORT ADMINISTRATION
U.S. DEPARTMENT OF COMMERCE

SOUTHERN INFORMATION SYSTEMS

BY: Mark D. Menefee
Mark D. Menefee
Acting Director
Office of Export Enforcement

BY: Tum Chun Lee
Tum Chun Lee
Chairman

Date: 8/16/98

Date: Aug. 11, 1998

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION
WASHINGTON, D.C. 20230

In the Matter of:)
)
SOUTHERN INFORMATION SYSTEMS)
No. 4 R&D Rd III)
Science Based Industrial Park)
Hsinchu, Taiwan,)
)
Respondent)

ORDER

The Office of Export Enforcement, Bureau of Export Administration, United States Department of Commerce (BXA), having notified Southern Information Systems (SIS) of its intention to initiate an administrative proceeding against it pursuant to Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1991 & Supp. 1998)) (the Act),¹ and the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (1998)) (the Regulations),² based on allegations that, on five separate occasions between August 1993 and December 1993, SIS exported digital microwave systems

¹ The Act expired on August 20, 1994. Executive Order 12924 (3 C.F.R., 1994 Comp. 917 (1995)), extended by Presidential Notices of August 15, 1995 (3 C.F.R., 1995 Comp. 501 (1996)), August 14, 1996 (3 C.F.R., 1996 Comp. 298 (1997)), and August 13, 1997 (62 Fed. Reg. 43629 (August 15, 1997)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C.A. §§ 1701-1706 (1991 & Supp. 1998)).

² The alleged violations occurred in 1993. The Regulations governing the violations at issue are found in the 1993 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1993)). Those Regulations define the violations that BXA alleges occurred and are referred to hereinafter as the former Regulations. Since that time, the Regulations have been reorganized and restructured; the restructured Regulations establish the procedures that apply to this matter.

from Taiwan to Vietnam which incorporated U.S.-origin parts that accounted for approximately 28% in value of the total value of each digital microwave system, without obtaining from BXA the written authorization required under Section 776.12(b) of the former Regulations, in violation of Section 787.6 of the former Regulations; and

BXA and SIS having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$25,000 is assessed against SIS, which shall be paid to the United States Department of Commerce within 30 days of the date of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C.A. §§ 3701-3702E (1983 and Supp. 1998)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, SIS will be assessed, in addition to interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that, as authorized by Section 11(d) of the Act, the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to SIS. Accordingly, if SIS should fail to pay in a timely manner the civil penalty set forth above, the undersigned will enter an Order under the authority of Section 11(d) of the Act denying all of

E596-11

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

BUREAU OF
EXPORT
ADMINISTRATION

FOR IMMEDIATE RELEASE:
September 3, 1998
www.bxa.doc.gov

CONTACTS: Eugene Cottilli
Susan Hofer
(202) 482-2721

TAIWANESE FIRM SETTLES CHARGES OF ILLEGAL SHIPMENTS

WASHINGTON -- The Commerce Department's Bureau of Export Administration (BXA) today imposed a \$25,000 fine on Southern Information Systems located in Hsinchu, Taiwan, to settle charges that it violated the Export Administration Regulations, F. Amanda DeBusk, assistant secretary for Export Enforcement announced.

BXA alleged that on five separate occasions between August, 1993 and December, 1993, Southern Information Systems exported digital microwave systems which incorporated U.S. origin parts, from Taiwan to Vietnam without obtaining the required Commerce authorization. BXA's Office of Export Enforcement Boston Field Office investigated the case.

The Department of Commerce, through its Bureau of Export Administration, administers and enforces export controls for reasons of national security, foreign policy, nonproliferation and short supply. Criminal penalties, as well as administrative sanctions, can be imposed for violations of the Regulations.